United Nations A/C.2/62/L.2

General Assembly

Distr.: Limited
16 October 2007

Original: English

Sixty-second session
Second Committee
Agenda item 52 (c)
Macroeconomic policy questions: external debt crisis and development

Pakistan:* draft resolution

External debt crisis and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005 and 61/188 of 20 December 2006 on external debt crisis and development,

Recalling also the International Conference on Financing for Development and its outcome,[1] which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

Recalling further the United Nations Millennium Declaration adopted on 8 September 2000,[2]

Recalling the 2005 World Summit Outcome,[3]

Recalling also its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

Recalling further its resolution 57/270 B of 23 June 2003,

Concerned that many developing countries are still facing difficulties in finding a durable solution to meeting their external debt-servicing obligations, which adversely affect sustainable development, despite certain improvements in the external debt situation of some developing countries,

---

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] See resolution 55/2.

[3] See resolution 60/1.

07-54381 (E) 171007

Recognizing that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have enabled heavily indebted poor countries to increase their expenditures on health, education and other social services while expressing concern that the Initiatives may not provide adequate resources to achieve internationally agreed development goals, including the Millennium Development Goals, emphasizing in this regard the need to ensure that debt relief is in addition to and not a replacement for other sources of financing,

Stressing the importance of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative,

Emphasizing the importance of debt sustainability and effective debt management to the efforts to achieve national development goals and the need for countries to direct financial resources freed through debt relief, including in particular through debt reduction and debt cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability to the efforts to achieve national development goals, including the Millennium Development Goals, and that countries should direct those financial resources freed through debt relief, in particular through debt reduction and cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[4]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and relief can be an important source of capital for economic growth and development;

3. *Also emphasizes* that creditors and debtors must share responsibility for preventing unsustainable debt situations;

4. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should be taken into account in debt sustainability analyses, underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites

[4] A/62/151.

the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by developments in financial markets, especially those of the developed countries and their impact on financial stability in developing countries, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

5. *Underlines* the fact that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

6. *Notes* the progress under the Multilateral Debt Relief Initiative,[5] and calls for its full and timely implementation and the provision of additional resources to ensure that the financial capacity of the international financial institutions is not reduced;

7. *Emphasizes* in this regard that debt relief does not replace other sources of financing;

8. *Urges* donors to ensure that their commitments to the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative is additional to existing aid flows, and underlines that full compensation by donors on the basis of fair burden-sharing for the Multilateral Debt Relief Initiative costs of relevant financial institutions is essential and expresses concern at the slow completion rate of the debt relief process;

9. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability, stresses the importance of promoting responsible borrowing and lending and the need to help those countries to manage their borrowing and to avoid a build-up of unsustainable debt, including through the use of grants and concessional loans, acknowledges the important role of the joint Debt Sustainability Framework of the International Monetary Fund and the World Bank for low-income countries but calls for continued review of the Framework, and encourages the full engagement of borrower Governments in formulating and adapting sustainability criteria to their specific circumstances with the requisite degree of public scrutiny and informed debate;

10. *Reiterates* its invitation to the World Bank and the International Monetary Fund to keep the overall implications of the debt sustainability framework for low-income countries under review, calls for more transparency and greater objectivity in the computation of the country policy and institutional assessments

[5] Debt relief under the two initiatives is expected to reduce the debt stocks of the 29 heavily indebted poor countries that have reached the decision point by almost 90 per cent. "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) — Status of Implementation", prepared by the staffs of the International Development Association and the International Monetary Fund (August 2006).

and for increased cooperation with other development partners and consideration of additional methodologies in conducting those assessments, and takes note of the disclosure of the country performance ratings of the International Development Association that form part of the framework, and calls for more voice and participation of developing countries in the governance of the Bretton Woods institutions which is critical for a more effective and development-friendly framework for institutional assessment and debt sustainability analysis;

11. *Welcomes* and encourages the efforts of the heavily indebted poor countries, calls upon them to continue to strengthen their domestic policies and economic management, and to create a domestic environment conducive to private-sector development, economic growth and poverty reduction, including a stable macroeconomic framework, transparent and accountable systems of public finance, a sound business climate and a predictable investment climate, and in this regard invites creditors, both private and public who are not yet fully participating in debt relief initiatives to substantially increase their participation in the delivery of debt relief, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

12. *Stresses* that debt relief can play a key role in liberating resources that should be directed towards activities consistent with the achievement of the internationally agreed development goals, including the Millennium Development Goals, and calls for the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based financing, cancellation of 100 per cent of the official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

13. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative to take into account their medium-term debt sustainability in addition to their financing gaps, and takes note with appreciation of the Evian approach of the Paris Club in providing terms of debt relief tailored to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

14. *Stresses* the need for comprehensive solutions to the debt problems of middle-income developing countries, which are also facing growing debt burdens but are excluded from the Multilateral Debt Relief and Heavily Indebted Poor Countries processes, to help them to meet their development needs, including their financial, technical and technological requirements;

15. *Notes with concern* that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics and is not adequate to address solvency issues, calls for supplementing this framework with other tools suitable for analysing solvency issues and emphasizes the need to develop debt resolution approaches that focus more on long-term sustainability rather than on intermediate targets;

16. *Notes* that low- and middle-income developing countries that are not included in existing debt relief initiatives also face special constraints in mobilizing

the resources needed to achieve the internationally agreed development goals and in this respect, should benefit more from international development assistance;

17. *Also stresses* the need to consider, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative as well as the exploration of innovative mechanisms to comprehensively address the debt problems of those countries, and underlines that this should be achieved in a way that does not detract from official development assistance resources, while maintaining the financial integrity of the multilateral financial institutions;

18. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed basis, the use of innovative mechanisms such as debt swaps, including "Debt for Equity in Millennium Development Goal Projects";

19. *Stresses* the need to continue to take effective measures to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed to public and private creditors;

20. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

21. *Notes* the current turmoil in financial markets linked to non-transparent financial products, expresses concern at the potential negative consequences of such products on the development efforts of developing countries and stresses the need for greater transparency in such financial products;

22. *Notes* that credit rating agencies play an important role in determining countries' access to international capital markets and the cost of such borrowing; moreover, recent events show that credit rating agencies can affect financial stability even when they rate private debt instruments, and, in this regard, calls upon the international financial and banking institutions to enhance the transparency and accountability of risk rating mechanisms, and stresses that risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters;

23. *Welcomes* the efforts of, and calls upon the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

24. *Calls upon* creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt concerns;

25. *Welcomes further* the efforts of and calls upon the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

26. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional

commissions, development banks and other relevant multilateral financial institutions and stakeholders, to intensify cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

27. *Invites* donor countries to continue their efforts to increase financial support in respect of capacity-building activities for developing countries in the area of debt management and debt sustainability, in particular those undertaken by the United Nations system;

28. *Calls upon* all Member States and the United Nations system and invites the Bretton Woods institutions and the private sector to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

29. *Requests* the Secretary-General to submit to the General Assembly at its sixty-third session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation and debt-servicing problems of developing countries;

30. *Decides* to include in the provisional agenda of its sixty-third session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt crisis and development".